

**TOWN OF FARMINGTON**  
**AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**TOWN OF FARMINGTON  
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FOR THE YEAR ENDED JUNE 30, 2006**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Town of Farmington  
98 School Street  
Farmington, Delaware

We have performed the procedures enumerated below, which were agreed to by Town of Farmington and the State of Delaware's Office of the Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer, solely to assist you with respect to determining the Town's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2006 on Page 4. The Town of Farmington's Management is responsible for compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards* (2003) issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants that have been incorporated by *Government Auditing Standards* (2003). The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Document understanding of cash disbursement internal control structure over municipal street aid grant funds from discussion with management and report internal control weaknesses.

**FINDING NO. 06-1** - During completion of the Town of Farmington's program checklist for the municipal street aid grant, it was noted that their cash internal control structure over municipal street aid has no segregation of duties due to lack of personnel. The Town Treasurer controls all the cash functions for the Town, which is a reportable internal control weakness that does not properly maintain and safeguard municipal street aid funds. Segregation of duties reduces the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties.

**RECOMMENDATION** - The Town should segregate duties related to cash among the Town's board members so that additional controls over the Town's municipal grants can be established.

### **TOWN'S PLAN FOR CORRECTIVE ACTION:**

*"With such a small budget, the Town of Farmington does not feel it feasible to segregate duties related to cash among different Town board members. The secretary/treasurer position is the only current position that is bonded. With a bond fee of \$100 per person payable from the town funds, it would be expensive to the town budget to have to bond additional members of the council in order to handle cash flow. In addition, although the town does have a building designated as the Town Hall, no checks or cash are kept at this building. This building has been burglarized and vandalized in the past and the board members do not feel it prudent nor safe to keep cash/checks (even locked up) in this facility at the current time. Remodeling is being planned in the future should funds be attainable."*

TOWN'S PLAN FOR CORRECTIVE ACTION - CONTINUED:

*"In the alternative, the board members will continue to have the secretary/treasurer handle the fund, but will have her bring the statements/checkbook to a board meeting on a quarterly basis for them to review all statements/check balances to ensure this fund is being properly maintained and errors corrected before the yearly report is accomplished."*

2. Complete the State of Delaware Auditor of Accounts municipal grants agreed-upon procedure program to determine the Town's compliance with applicable laws, regulations and financial reports related to municipal grant funds received during the year ended June 30, 2006. Detail any instances of noncompliance.

FINDING NO. 06-2 - During completion of the Town of Farmington's program checklist for the municipal street aid grant, it was noted that the Town paid several invoices more than 30 days after receipt of the invoice, which is not in compliance with the State's regulations over disbursements [29 Del. C. §6516(d)]. Late fee charges of \$ 5.29 were incurred by the Town due to the late payment.

RECOMMENDATION - The Town should ensure invoices are paid in a timely manner.

TOWN'S PLAN FOR CORRECTIVE ACTION:

*"Several factors contributed to this problem with the Greenwood Post Office sometimes delivering mail to the secretary/treasurer's home address and sometimes to the council president's home address. In the latter case, the secretary/treasurer at times received the electric notices late. To correct this problem, a letter will be mailed to the Greenwood Post Office to instruct them to send ALL mail in care of the secretary/treasurer's home address. This should prevent electric notices being received late."*

FINDING NO. 06-3 - During completion of the Town of Farmington's program checklist for the municipal street aid (MSA) grant, it was noted that the Town used MSA funds to pay a utility company \$ 5.29 for late fee charges, which is not an allowable expenditure ([30 Del. C. §5165(a)] and "Guidelines for Municipal Street Aid Funding").

RECOMMENDATION - The Town of Farmington's should reimburse the ineligible costs of \$ 5.29 to the MSA cash account.

TOWN'S PLAN FOR CORRECTIVE ACTION:

*"The late fee charges will be reimbursed to the MSA Fund and should for any reason in the future if these bills are not paid in a timely manner, the secretary/treasurer will ensure that late fees are paid from the town fund and not the MSA fund."*

FINDING NO. 06-4 - During completion of the Town of Farmington's program checklist for the municipal street aid grant, it was noted that their financial report was submitted timely to the Office of the State Treasurer, but the financial report was not accurately prepared or reviewed [30 Del. C. §5165(b)(2)]. The beginning balance was understated by \$ 2.67 on the annual report. In addition, the expenditures were overstated by \$ 362.18 and ending balance was understated by \$ 364.85 on the annual report. Failure to prepare accurate financial reports could result in the loss of grant funding.

RECOMMENDATION - The Town should more carefully prepare and review the amounts on the annual report to ensure an accurate presentation.

TOWN'S PLAN FOR CORRECTIVE ACTION:

*"Once documents are received by the secretary/treasurer, the financial report will be reviewed for the above errors. To prevent errors in any future financial reports, the secretary/treasurer will prepare the financial report at the beginning of every July. The financial report along with all documentation will be submitted to the Town Council for their review and approval before submission to the Office of the State Treasurer. This should allow any errors to be found and corrected before the financial report is submitted."*

3. Note all situations or transactions that could be indicative of fraud, illegal acts, material errors, defalcations, irregularities or gross violations of the grant agreements and abuse or misuse of State funds.

During completion of the program checklist, no fraud, illegal acts or gross violations of grant agreements and no abuse or misuses of state funds were noted.

4. Prepare the Town's Schedule of Municipal Grants received during the year ended June 30, 2006.

See Page 4.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Town's compliance with Delaware's laws and regulations, financial reporting and the effectiveness of the internal control structure related to municipal grant funds. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information of the Town of Farmington's Management and Council Members, Department of Homeland Security, Office of the State Treasurer and Office of Auditor of Accounts, and is not intended to be and should not be used by anyone other than those specified parties. However, under 29 Del. C. §10002(d), this report is a public record and its distribution is not limited.

*Jefferson, Ulan, Doone & Starnes, P.A.*

Georgetown, Delaware  
December 11, 2006

**TOWN OF FARMINGTON  
SCHEDULE OF MUNICIPAL GRANTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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<u>Grants</u>	<u>Amounts Received</u>
Municipal Street Aid	\$ 1,860.40
Police Pension	-
State Aid to Local Law Enforcement	-
Emergency Illegal Drug Enforcement	-

See independent accountant's report on applying agreed-upon procedures.